

Nearby Hot Spot: The Dominican Republic's Hotel and Restaurant Sector

By *Wagner A. Méndez*

Does the Dominican Republic strike you as a nice, quiet little market where the food and beverage business is slow and relaxed? Then you haven't heard the buzz about its hip-hopping food services sector.

Sales of food and beverages to the Dominican Republic have risen nearly 10 percent in the past five years, and there's still plenty of potential, providing that you correctly scope out the needs of its hotel, restaurant and institutional (HRI) market and are able to supply appropriate offerings at competitive prices.

The Dominican Republic is, of course, a primary tourist destination in the Caribbean region. More than 2 million are foreign tourists who arrived by air, and that's not counting those who came by other means. For the tourist sector as a whole, food and beverage sales were estimated at a sunny \$320 million in 1999.

But sales in this thriving food service industry do not live by tourism alone. Now that the domestic economy is enjoying robust improvement, Dominican citizens comprise the greatest share of customer base. In calendar year 2000, consumption of food and drinks in the non-tourist sector was estimated at \$700 million.

In the restaurant sub-sector, the fastest growing area is fast food. Foreign fast-food chains, mostly from the United States, have been well received by Dominicans since their market entry six years ago.

Four Factors Fueling Growth in the Dominican HRI Sector

1. **Economic growth.** The Dominican economy has averaged more than 7 percent growth over the past five years.
2. **More working women.** Over 40 percent of women are in the labor force, resulting in higher demand for food outside the home.
3. **Increase in per capita income.** Per capita income increased from \$1,400 in 1994 to \$2,100 in 1999.
4. **Menu diversification.** Dominicans are internationalizing their consumption habits. Pizzas, hamburgers and other types of fast food are popular, as is restaurant fare made with imported meats and seafood.

U.S. Products Facing Barriers

The Dominican Republic seeks to protect local agriculture by constraining the import of certain products with tariff and non-tariff barriers. These currently include pork, poultry, onions, milk powder, garlic, dried beans, rice and sugar.

In the last five years, more than 10 international fast-food chains have gotten established in the country. More than 50 outlets have opened, including Burger King, McDonald's, Wendy's, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza and Taco Bell. Of the 40 establishments now open, most are in the cities of Santo Domingo and Santiago.

Note, though, that consumers pay more for fast food in the Dominican Republic than for the same products sold in the United States.

The same consumer trend toward eating out that has fueled the growth of fast-food outlets has spurred the growth of countless small restau-

rants, independent cafeterias, eateries located within businesses and cafes in supermarkets. These convenient establishments provide local food, sandwiches and snacks at affordable prices to working-class Dominicans.

Such restaurants offer especially good opportunities for U.S. exporters. Menus stressing international cuisine drive these establishments toward imported foods, with particular emphasis on beef, ham, seafood, pasta and frozen french fries.

Counting on U.S. Exports

In this small, densely populated Caribbean nation, geography has imposed limits on agricultural capacity. It is estimated that about 45 percent of the total food and drink consumed in the country is imported; more than 50 percent of that is purchased from the United States. In the hotel, restaurant and institutional sector, the U.S. share is even higher, reflecting a preference for U.S. imported food that is linked to a perception of higher quality.

However, it is important to note that the country's food processing industry is increasing in both efficiency and competitiveness—a trend that cuts two ways. Although imports of finished food products may decline, use of imported ingredients is at the same time likely to increase. ■

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Product Prospects

Hotels and restaurants have high demand for special cuts of imported beef and veal. Wine, cheeses, poultry, frozen potatoes and fruit concentrates also have good potential.

Hotels and restaurants sometimes find fish and seafood in scarce supply. Although the Dominican Republic is on an island, its fishing industry is not developed enough to meet demand. Fear of "ciguatera" toxin from some local reef production is another factor that spurs demand for imports.

A Road Map for Market Entry

With the notable exception of U.S. fast-food chains which usually import their own products and ingredients, the best way to enter the food service market in the Dominican Republic is to deal with a local representative.

Not long ago, it was difficult for Dominican hotels and restaurants to get high-quality products. Today, thanks to the growth of tourism, the number of businesses specializing in importing food and drinks has increased.

Over 50 businesses now compete to supply products to this market, including most of the nation's hotels and restaurants.